

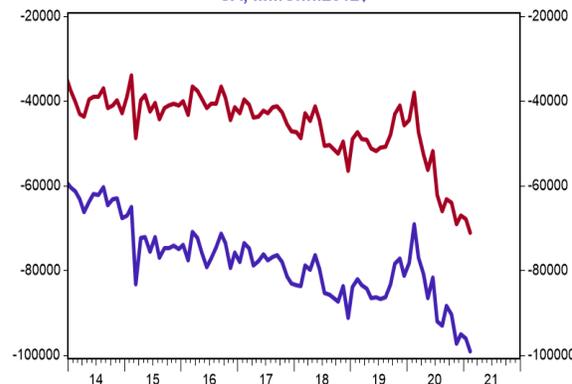
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February International Trade

- The trade deficit in goods and services came in at \$71.1 billion in February, slightly larger than the consensus expected \$70.5 billion.
- Exports declined \$4.9 billion, led by soybeans, crude oil, and industrial machines. Imports declined \$1.8 billion, led by pharmaceutical preparations and autos.
- In the last year, exports are down 10.0% while imports are up 5.0%.
- Compared to a year ago, the monthly trade deficit is \$33.1 billion larger; after adjusting for inflation, the “real” trade deficit in goods is \$30.1 billion larger than a year ago. The “real” change is the trade indicator most important for measuring real GDP.

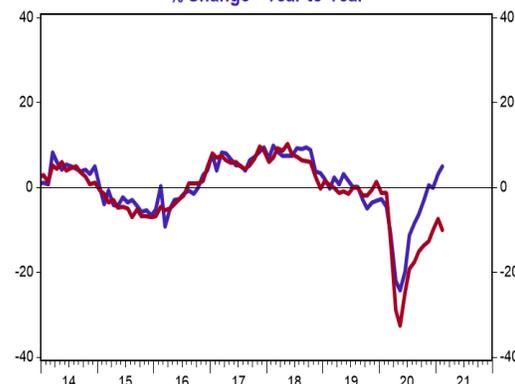
Implications: The trade deficit in goods and services grew to \$71.1 billion in February, the largest on record, as both exports and imports declined, but exports declined faster than imports. These drops come on the back of some very solid months of trade and we do not believe it is a new trend. Severe winter weather wreaked havoc across much of the United States in February, basically shutting down many states for an extended period, which took a large toll on trade. In fact, after 13 months of a petroleum surplus, the trend reversed in February as the dollar value of US petroleum exports was smaller than US petroleum imports. We do not believe this will continue for more than a few months, if that long, as weather was a one-off factor. Horizontal drilling and fracking have transformed the global energy market and the US is no longer hostage to foreign oil. Expect trade to keep expanding in the coming months as businesses across the US get back on their feet as the COVID-19 vaccine continues to roll out. But we could continue to see larger deficits in the months ahead as the U.S. is recovering from the coronavirus pandemic faster than most other countries. This means the demand for imports should continue to outstrip the demand for exports to the rest of the world right now. As we have said over and over, the best stimulus the economy could possibly ask for is a COVID-19 vaccine. There have now been 219 million doses distributed in the US with 169 million of them administered, mostly to those over 65 years of age. The economy is starting to return to normal, the last thing it needs right now is too much fiscal stimulus.

Trade Balance: Goods and Services, BOP Basis
 SA, Mil. \$
Real Trade Balance: Goods
 SA, Mil. Chn. 2012\$



Source: Census Bureau/Haver Analytics

Exports: Goods and Services, BOP Basis
 % Change - Year to Year
Imports: Goods and Services, BOP Basis
 % Change - Year to Year



Source: Census Bureau/Haver Analytics

International Trade	Feb-21	Jan-21	Dec-20	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-71.1	-67.8	-67.0	-68.6	-67.0	-38.0
Exports	187.3	192.2	190.1	189.9	185.4	208.1
Imports	258.3	260.1	257.1	258.5	252.5	246.1
Petroleum Imports	13.3	12.2	10.5	12.0	10.7	15.2
Real Goods Trade Balance	-99.1	-96.1	-95.0	-96.7	-94.4	-69.0

Source: Bureau of the Census